

Farm Credit Administration

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in the judgment of the Farm Credit Administration, is incomplete, inaccurate, or misleading, whether or not such disclosure is made in disclosure statements required by this part, such institution or person shall make such additional or corrective disclosure as is necessary to provide shareholders and the general public with a full and fair disclosure.

(b) *Signatures.* The name and position title of each person signing the report must be printed beneath his or her signature. If any person required to sign the report has not signed the report, the name and position title of the individual and the reason(s) such individual is unable or refuses to sign must be disclosed in the report. All reports must be dated and signed on behalf of the institution by:

- (1) The chief executive officer (CEO);
- (2) The chief financial officer (CFO), or if the institution has no CFO, the officer responsible for preparing financial reports; and
- (3) A board member formally designated by action of the board to certify reports on behalf of individual board members.

(c) *Certification of financial accuracy.* The report must be certified as financially accurate by the signatories to the report. If any signatory is unable to, or refuses to, certify the report, the institution must disclose the individual's name and position title and the reason(s) such individual is unable or refuses to certify the report. At a minimum, the certification must include a statement that:

- (1) The signatories have reviewed the report,
- (2) The report has been prepared in accordance with all applicable statutory or regulatory requirements, and
- (3) The information is true, accurate, and complete to the best of signatories' knowledge and belief.

(d) *Management assessment of internal control over financial reporting.* Annual reports of those institutions with over \$1 billion in total assets (as of the end of the prior fiscal year) must include a report by management assessing the effectiveness of the institution's internal control over financial reporting. The assessment must be conducted during the reporting period and be reported to

the institution's board of directors. Quarterly and annual reports for those institutions with over \$1 billion in total assets (as of the end of the prior fiscal year) must disclose any material change(s) in the internal control over financial reporting occurring during the reporting period.

[71 FR 76119, Dec. 20, 2006, as amended at 74 FR 28599, June 17, 2009]

Subpart B—Annual Report to Shareholders

§ 620.4 Preparing and providing the annual report.

(a) Each institution of the Farm Credit System must:

- (1) Prepare and send to the Farm Credit Administration an electronic copy of its annual report within 75 calendar days of the end of its fiscal year;
- (2) Publish a copy of its annual report on its Web site when it sends the report electronically to the Farm Credit Administration;
- (3) Provide prior written notification to its shareholders that the institution will publish its annual report on the institution's Web site when the report is sent electronically to the Farm Credit Administration; and
- (4) Within 90 calendar days of the end of its fiscal year, prepare and provide to its shareholders an annual report substantively identical to the copy of the report sent to the Farm Credit Administration under paragraph (a)(1) of this section.

(b)(1) A bank must provide its annual report to the shareholders of all related associations if the bank experiences a significant event that has a material effect on those associations.

(2) Any bank that is required by paragraph (b)(1) of this section to provide its annual report must coordinate its distribution with its related associations.

(c) The report shall contain, at a minimum, the information required by § 620.5 and, in addition, such other information as is necessary to make the

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required statements, in light of the circumstances under which they are made, not misleading.

[51 FR 8656, Mar. 13, 1986. Redesignated and amended at 56 FR 29421, 29422, June 27, 1991; 62 FR 15093, Mar. 31, 1997; 66 FR 14301, Mar. 12, 2001; 67 FR 16633, Apr. 8, 2002; 71 FR 76119, Dec. 20, 2006; 72 FR 68061, Dec. 4, 2007]

§ 620.5 Contents of the annual report to shareholders.

The report must contain the following items in substantially the same order:

(a) *Description of business.* The description must include a brief discussion of the following items:

- (1) The territory served;
- (2) The persons eligible to borrow;
- (3) The types of lending activities engaged in and related services offered. Each bank shall also briefly describe the lending and related services offered by its related associations, as well as related services offered to the borrowers in the bank's chartered territory by any service organization in which it has an ownership interest. Each association shall briefly describe the lending and related services offered by its related organizations or incorporate by reference relevant portions of the related bank's report, if such report is provided to association shareholders;
- (4) Any significant developments within the last 5 years that had or could have a material impact on earnings, interest rates to borrowers, patronage, or dividends, including, but not limited to, changes in the reporting entity, changes in patronage policies and practices, and financial assistance provided by or to the institution through loss-sharing or capital preservation agreements or from any other source;
- (5) Any acquisition or disposition of material assets during the last fiscal year, other than in the ordinary course of business;
- (6) Any material change during the last fiscal year in the manner of conducting the business;
- (7) Any seasonal characteristics of the institution's business;
- (8) Any concentrations of more than 10 percent of its assets in particular commodities or particular types of ag-

ricultural activity or business, and the institution's dependence, if any, upon a single customer, or a few customers, including other financing institutions (OFIs), the loss of any one of which would have a material effect on the institution; and

(9) A brief description of the business of any related Farm Credit institution, as described in §619.9146 of this chapter, and the nature of the institution's relationship with such organization.

(10) For associations, in a separate section of the annual report, discuss the interdependent relationship between the association and its funding bank, including, but not limited to, the financial relationship, a service provider relationship, other material operational relationships, and other specific issues or areas that create a material interdependent relationship between the association and its funding bank. This separate section may incorporate by reference information from other sections of the annual report. At a minimum, the separate section must include the statement required by §620.2(h)(2)(i) of this part and the following information required elsewhere in this section, if applicable:

- (i) The association's obligation to borrow only from the bank unless the bank gives the association approval to borrow elsewhere;
- (ii) The major terms of any capital preservation, loss sharing, or financial assistance agreements between the association and the bank;
- (iii) Any statutory or bank bylaw provisions authorizing bank access to the capital of the association; and
- (iv) The extent the bank assumed the association's exposure to interest rate risk.

(b) *Description of property.* State the location of and briefly describe the principal offices, i.e., headquarters, and major facilities where the institution makes and services its loans, and other materially important physical properties (other than property acquired in the course of collecting a loan) of the institution.

(c) *Legal proceedings and enforcement actions.* (1) Describe briefly any material pending legal proceedings, other